FISCAL NOTE
SB 1646 - HB 1376

March 28, 2005

SUMMARY OF BILL: Authorizes local governments to operate hot mix asphalt plants. The local government would be required to conduct a cost-benefit analysis, and would not be authorized to provide asphalt to any private entity.

ESTIMATED FISCAL IMPACT:

Increase Local Govt. Expenditures – Exceeds $800,000/One-Time/Permissive

Decrease Local Govt. Expenditures – Net Impact:
Exceeds $200,000/Recurring/Permissive

Other Fiscal Impact – To the extent that local governments choose to operate such plants, this could displace sales from privately owned plants and could result in a decrease in state and local government revenues due to a loss of local option, and sales and use taxes collected on raw materials used by private companies which currently sell such products to the local governments. The magnitude of these sales tax losses is estimated to be significant and will be based upon the number of local governments choosing to operate hot-mix asphalt plants. The average privately owned plant in Tennessee pays approximately $150,000 per year in state sales and use tax and approximately $50,000 per year in local option tax.

Assumptions:

- At least two local governments choose to operate plants.
- The cost to obtain such a plant ranges from $400,000 to $900,000.
- There will be a net decrease in local government expenditures exceeding $100,000, per plant, due to the savings achieved by securing a county-owned hot-mix asphalt plant.
- Local governments would not operate such plants unless significant cost savings could be realized to offset the cost of the plant.
- The county already has suitable land, labor, and heavy equipment necessary to operate such a facility.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director